

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: December 11-12, 2002

Reference No.: 2.4c
Action Item

From: ROBERT L. GARCIA
Chief Financial Officer

Prepared by: Brice D. Paris
Division Chief
Right of Way

Ref: **AIRSPACE LEASE AMENDMENT - RIO COURTYARD, LLC**

RECOMMENDATION:

The Department of Transportation recommends that the California Transportation Commission (CTC) authorize execution of a Lease Amendment between the State of California, Department of Transportation and the Lessee/Assignee, RIO COURTYARD LLC.

The landlocked subject parcel is located beneath and adjacent to the Route 805 bridge structure between the San Diego River and Rio San Diego Drive in Mission Valley, San Diego. The parcel is approximately 75,274 \pm square feet and is bounded on the east and west by privately-owned parcels, on the south by the San Diego trolley line and on the north by Rio San Diego Drive (but the westerly parcel extends across the length of our parcel along Rio San Diego Drive).

Caltrans entered into a 50-year lease commencing May 9, 1984 after offering the parcel through the public bid process to two adjacent owners. One of the adjacent owners, Conrock Property Development Corporation, was the successful bidder.

The significant terms and conditions of the existing lease are as follows:

Use – Automobile parking for adjacent shopping center

Term – 50 years (May 9, 1984 to May 8, 2034)

Starting Rent - \$1,000 per month

Escalations – CPI every 5 years with a 7% annual cap, no floor.

Reevaluations – every 10 years

The current monthly rent is \$1,113 per month, having been reduced from \$1,228 due to loss of use of a portion of the parcel for the construction of the San Diego trolley line.

Rio Courtyard, LLC (Rio) propose to develop a multi-story office building on the vacant parcel located to the west of the parcel. Rio recently purchased the parcel from our lessee and has an agreement to have the existing lease assigned to them – contingent upon their reaching agreement with Caltrans on this proposed amendment. The subject parcel would provide parking for their proposed development and would allow them to develop a larger office building on their fee-owned parcel.

Rio approached Caltrans with a request to extend the lease term to make their development feasible and obtain financing.

After negotiating for several months, the proposed terms of the amendment are as follows:

Use – Automobile parking for adjacent office building

Term – 60 years, with three 10-year options

Starting Rent - \$5,000 per month

Escalations – CPI every 5 years with a 5% annual cap, 2% floor.

Reevaluations – every 10 years, including every option period.

The highest and best use for this parcel continues to be plottage to the adjacent developer-owned parcels and the existing lease does not expire until 2034. Independent development is not feasible, as the parcel is landlocked. This undeveloped parcel has additional complications relative to dumping of uncompacted fill and the placement of “stone columns” relating to a retrofit of the existing columns. Surface parking is an ideal use for the parcel. This unimproved parcel has had problems with littering, dumping, and vagrants. The development of this parcel will improve the aesthetics and public safety, and the developers will also grant a permanent easement for access to the parcel resulting in a residual benefit to the State.

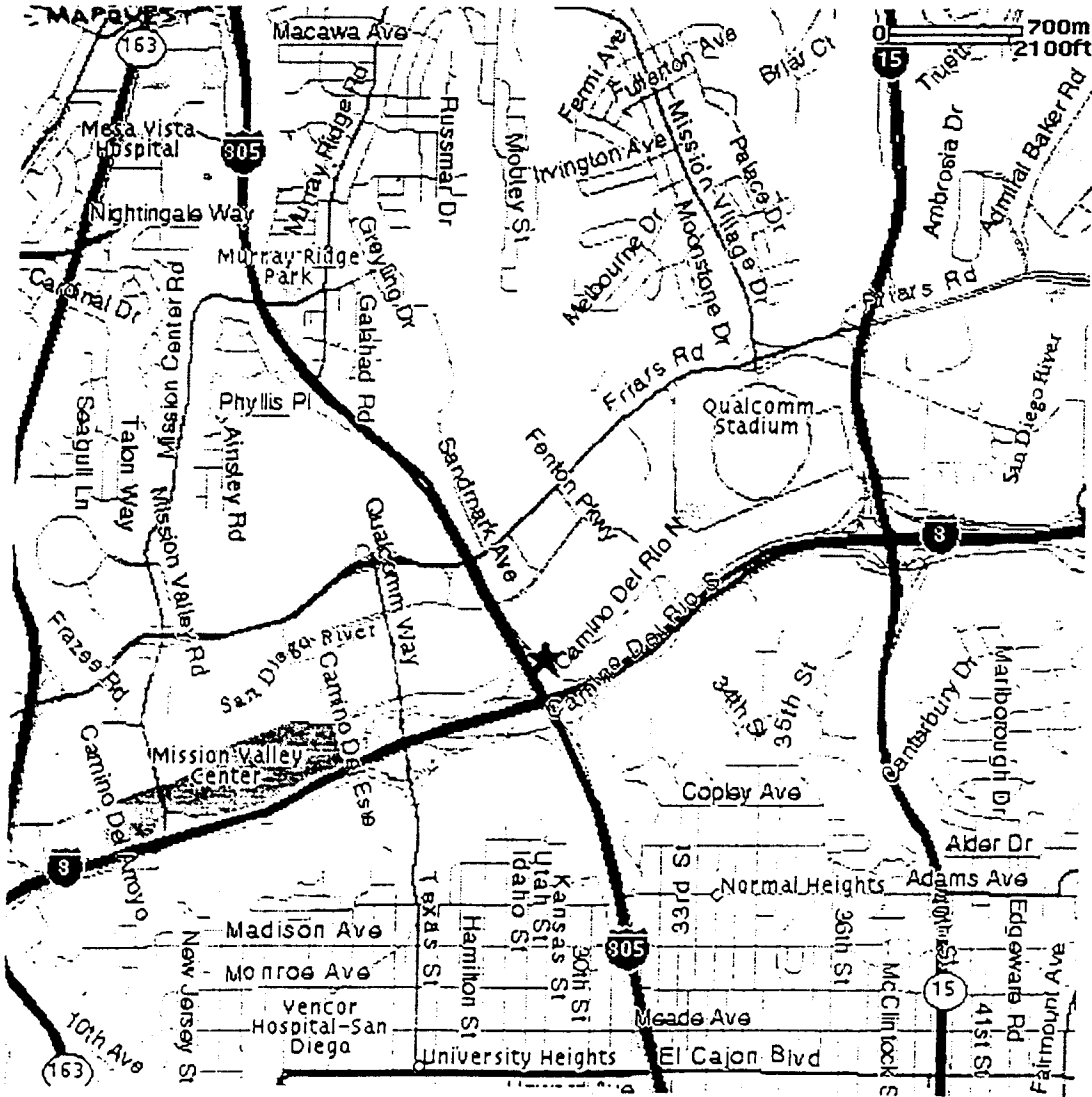
This amended lease will achieve the highest and best use and the greatest return to the State. This proposed amendment is in the State’s best interest as the rent will increase approximately 450%. If we do not reach agreement with Rio and the parcel is not incorporated into their development, it is quite likely this parcel will remain vacant and unimproved forever.

The CTC’s Airspace Advisory Committee has reviewed and recommends approval of the proposed terms and conditions of this Lease Amendment.

Attachments

Vicinity Map

11-SD-805-15



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438-05
SHT 1 OF 2

$$1'' = 200'$$
4/27/2001 SA[illegible]

**PARCEL MAP
11-SD-805-15**

36
SHT 1

36
SHT 3

SAN DIEGO COUNTY
ASSESSOR'S MAP
BOOK 438, PAGE 05, SHT 1 OF 2

THIS MAP WAS PREPARED FOR ASSESSMENT PURPOSES ONLY. NO LIABILITY IS ASSUMED FOR THE ACCURACY OF THE DATA SHOWN. ASSESSOR'S PARCELS MAY NOT COMPLY WITH LOCAL SUBDIVISION OR BUILDING ORDINANCES.

MAP 10305 - RIO VISTA CENTER
ROS 16431

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